

Sewerage District No. 2 of Rapides Parish
Alexandria, Louisiana

Auditor's Report

Year Ended December 31, 2011

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements - Business Type Activities	
Comparative Statement of Net Assets	3
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets	4
Comparative Statement of Cash Flows	5
Notes to the Financial Statements	6-10
Compliance and Internal Control	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	12-13
Schedule of Findings and Questioned Costs	14
Summary Schedule Of Prior Audit Findings	15

Roy K. Derbonne, JR., LLC

Certified Public Accountant
1101-A Bolton Avenue
Alexandria, Louisiana 71301-6878

Tel: 318-445-6778
Fax: 318-445-8967

Member
Society of Louisiana CPA's

ACCOUNTANTS' REPORT

To Board of Commissioners
Sewerage District No. 2 of Rapides Parish, Louisiana
Rapides Parish Police Jury
Alexandria, Louisiana

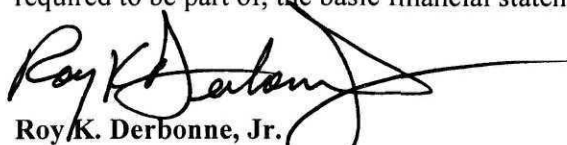
I have audited the accompanying financial statements of Sewerage District No. 2 of Rapides Parish, Louisiana, a component unit of the Rapides Parish Police Jury, as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on by audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Sewerage District No. 2 of Rapides Parish, Louisiana, as of December 31, 2011, and the results of operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated June 24, 2011, on my consideration of the Sewerage District No. 2's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Sewerage District No. 2 of Rapides Parish, Louisiana has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Roy K. Derbonne, Jr.
Certified Public Accountant

Alexandria, Louisiana
June 24, 2011

FINANCIAL STATEMENTS - BUSINESS TYPE ACTIVITIES

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
RAPIDES PARISH POLICY JURY
Alexandria, Louisiana

BUSINESS - TYPE ACTIVITIES

COMPARATIVE STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

ASSETS	2011	2010
Current Assets		
Cash and Cash Equivalents	\$ 112,993	\$ 104,548
Accounts Receivable (Net)	11,809	6,268
Accrued Interest	-	6
Total Current Assets	<u>124,802</u>	<u>110,822</u>
Noncurrent Assets		
Sewerage System	1,027,745	1,027,745
Less: Accumulated Depreciation	<u>(860,488)</u>	<u>(838,785)</u>
Total	167,257	188,960
Land	<u>10,000</u>	<u>10,000</u>
Total Noncurrent Assets	<u>177,257</u>	<u>198,960</u>
TOTAL ASSETS	<u><u>\$ 302,059</u></u>	<u><u>\$ 309,782</u></u>
Liabilities and Fund Equity		
Liabilities		
Accounts Payable	\$ 12,513	\$ 9,915
Payroll Liabilities	323	372
Deferred Revenues	<u>9,041</u>	<u>12,980</u>
Total Liabilities	21,877	23,267
Net Assets		
Investment in Capital Assets	167,257	188,960
Unrestricted	<u>112,925</u>	<u>97,555</u>
TOTAL NET ASSETS	<u><u>\$ 280,182</u></u>	<u><u>\$ 286,515</u></u>

The accompanying notes are an integral part of this statement

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
RAPIDES PARISH POLICY JURY
Alexandria, Louisiana

BUSINESS - TYPE ACTIVITIES

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS

For The Years Ended December 31, 2011 and 2010

OPERATING REVENUES	2011	2010
Sewerage Service and Tap Fees	\$ 337,330	\$ 329,497
OPERATING EXPENSES		
Salaries	9,720	4,050
Payroll Taxes	743	310
Personal Service - Per Diem	-	5,670
Contract Labor	96,400	93,600
Dues, Subscriptions and Permits	5,918	6,208
Engineering Fees	1,200	16,558
Equipment Rental	74	540
Insurance	6,631	6,017
Lab Fees	19,406	15,414
Legal and Accounting	33,068	33,026
Office and Postage	4,850	5,081
Rental Expense	1,200	1,200
Repairs and Maintenance	103,226	169,739
Telephone	977	882
Utilities	38,662	40,007
Depreciation	21,703	22,589
Total Operating Expenses	<u>343,778</u>	<u>420,891</u>
OPERATING INCOME	(6,448)	(91,394)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	<u>115</u>	<u>338</u>
NET INCOME (LOSS)	(6,333)	(91,056)
NET ASSETS AT BEGINNING OF YEAR	<u>286,515</u>	<u>377,571</u>
NET ASSETS AT END OF YEAR	<u>\$ 280,182</u>	<u>\$ 286,515</u>

The accompanying notes are an integral part of this statement

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
RAPIDES PARISH POLICY JURY
Alexandria, Louisiana

BUSINESS - TYPE ACTIVITIES

COMPARATIVE STATEMENT OF CASH FLOWS
For The Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities:		
Cash From Operating Revenues	\$ 327,850	\$ 330,232
Cash Paid to Employees	(9,720)	(4,050)
Cash From Operating Expenses	(309,806)	(407,301)
Net Cash Provided by Operating Activities	<u>8,324</u>	<u>(81,119)</u>
Cash Flows From Non Capital and Related Financing Activities:		
Acquisition of Asses	-	(1,713)
Net Cash Provided (Used) by Non Capital Financing Activities	<u>-</u>	<u>(1,713)</u>
Cash Flows From Investing Activities:		
Interest on Investments	115	338
(Increase) Decrease in Accrued Interest	6	344
Net Cash Used by Investing Activities	<u>121</u>	<u>682</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,445	(82,150)
Cash and Cash Equivalents, Beginning of the Year	<u>104,548</u>	<u>186,698</u>
Cash and Cash Equivalents, End of the Year	<u><u>\$ 112,993</u></u>	<u><u>\$ 104,548</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Required) by Operating Activities		
Operating Income	\$ (6,448)	\$ 14,283
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation	21,703	22,578
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(5,541)	2,967
Increase (Decrease) in Deferred Revenues	(3,939)	17
Increase (Decrease) in Payroll Taxes Payable	(49)	-
Increase (Decrease) in Accounts Payable	2,598	15,548
Total Adjustments	<u>14,772</u>	<u>41,110</u>
Net Cash Provided (Required) by Operating Activities	<u><u>\$ 8,324</u></u>	<u><u>\$ 55,393</u></u>

The accompanying notes are an integral part of this statement

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE A SUMMARY OF ACCOUNTING POLICIES

Sewerage District No. 2 of Rapides Parish was created by the Rapides Parish Police Jury under the authority of Louisiana Revised Statutes 33:3881 to manage and operate sewerage systems within the District not served by municipal systems. A three-member board appointed by the Rapides Parish Police Jury governs the District. At December 31, 2011, the District had approximately 1,166 customers.

BASIS OF PRESENTATION

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governmental units. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Some of the Town's more significant accounting policies are described as follows:

THE REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Rapides Parish Police Jury is the financial reporting entity for Rapides Parish. The financial reporting entity consists of (a) the primary government (Police Jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement 14 established criteria for determining which component units should be considered part of the Rapides Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. The Town's ability to appoint management or the voting majority to the organization's governing body, and the ability of the Police Jury to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Police Jury.
2. Organizations for which the Town does not appoint a voting majority, but are fiscally dependent on the Police Jury.
3. Organizations for which the reporting entity financial statements would be misleading if the data of the organization is not included because of the nature of significance of the relationship.

Because the Police Jury appoints the board and has the ability to impose its will on the District and there exists the potential for the District to provide specific financial benefits to or impose specific burdens on the Police Jury, the District was determined to be a component unit of the Rapides Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

general government service provided by the governmental unit, or other governmental units that comprise the financial reporting entity.

FUND ACCOUNTING

The District is organized and operated on a fund basis whereby a self-balancing set of accounts (Business-Type Activities) is maintained that comprises its assets, liabilities, and fund equity, revenues, and expenses. Business-type activities, rely on fees and charges for support and operates in a manner similar to private sector enterprises.

MEASUREMENTS FOCUS/BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurements focus applied.

MEASUREMENT FOCUS

The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or long term) associated with their activities are reported. Proprietary fund equity is classified as retained earnings.

BASIS OF ACCOUNTING

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

CASH AND CASH EQUIVALENTS

For purpose of the statement of net assets, cash and interest-bearing deposits include all demand accounts, saving accounts, and certificates of deposits and highly liquid investments maturing in three months or less.

For the purpose of the proprietary fund statement of cash flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

RECEIVABLES

Business-type activities report customer’s utility service receivables as the major receivable. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicated the uncollectibility of the particular receivable.

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

CAPITAL ASSETS

Capital assets, which include property, and equipment assets, are reported in the balance sheet of the fund. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of revenues, expenses and changes in retained earnings, with accumulated depreciation reflected in the balance sheet. Capital assets are depreciated using the straight-line method and estimated useful lives of 10 to 45 years. Useful lives are selected based on the expected resilience of each capital asset.

FUND EQUITY-CONTRIBUTED CAPITAL

- a. Contributed capital represents sewerage facilities donated by developers. Contributed capital is amortized based on the depreciation recognized on the related capital assets. Depreciation is closed to the contributed capital account and is reflected as an adjustment to the net income (loss) on the statement of revenues, expenses and changes in retained earnings.
- b. Investment in capital assets, net of related debt consists of capital assets including restricted capital assets, net accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements constructed, or improvement of those assets.
- c. Unrestricted net assets consists of all other net assets that do not meet the definition of "restricted," "invested in capital assets, net of related debt" or "contributed capital."

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B CASH, INTEREST BEARING DEPOSITS AND INVESTMENTS

Cash and certificates of deposit, at year end, totaled \$112,993 per the general ledger and \$121,420 per bank balances. These deposits are stated at cost, which approximates market value.

Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At December 31, 2011 and 2010 the District's accounts were adequately secured from risk by FDIC insurance. (GASB Category 1)

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

At December 31, 2011 and 2010, the District had cash and certificates of deposit (book balances) as follows:

	2011	2010
Petty Cash	\$ 25	\$ 25
Demand Deposits	59,450	51,113
Time and Certificates of Deposit	53,518	53,410
Total Cash	<u>\$ 112,993</u>	<u>\$ 104,548</u>

NOTE C RECEIVABLES

Receivables at December 31, 2011 and 2010 consisted of the following:

	2011	2010
Charges for services	\$ 12,137	\$ 9,041
Allowance for Doubtful Accounts	(328)	(2,773)
Total Receivables	<u>\$ 11,809</u>	<u>\$ 6,268</u>

NOTE D FIXED ASSETS

A summary of fixed assets and related depreciation at December 31, 2011 and 2010 are as follows:

2011	Beginning Balance	Additions	Disposals	Ending Balance
Sewerage System	\$ 1,027,745	\$ -	\$ -	\$ 1,027,745
Less Accumulated Depreciation	(838,785)	(21,703)	-	(860,488)
Total	<u>\$ 188,960</u>	<u>\$ (21,703)</u>	<u>\$ -</u>	<u>\$ 167,257</u>

2010	Beginning Balance	Additions	Disposals	Ending Balance
Sewerage System	\$ 1,026,032	\$ 1,713	\$ -	\$ 1,027,745
Less Accumulated Depreciation	(816,232)	(22,553)	-	(838,785)
Total	<u>\$ 209,800</u>	<u>\$ (20,840)</u>	<u>\$ -</u>	<u>\$ 188,960</u>

Depreciation expense for 2011 and 2010 was \$22,703 and \$22,589 respectively.

NOTE E ACCOUNTS PAYABLE

Accounts payable at December 31, 2011 and 2010 were amounts due to vendors.

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE F DEFERRED REVENUE

Deferred revenue represents the amount of prepayment for sewer services by the District's customers.

NOTE G LITIGATION

At December 31, 2011, the District was not a defendant in any legal proceedings.

NOTE H RISK MANAGEMENT

The District is exposed to risks of loss in the areas of theft, torts, property hazards, general liability, errors and omissions, and natural causes. These risks are covered by commercial insurance coverage. All previous losses have not exceeded the insurance coverage.

NOTE I PER DIEM PAID BOARD MEMBERS

The following is a schedule of per diem paid to the District's Board Members.

	2011 Compensation	2010 Compensation
T. J. Speir, Jr.	\$ 3,240	\$ 1,350
Robert Nugent	3,240	1,350
John C. Miller, Jr.	3,240	1,350
	<hr/>	<hr/>
Total	\$ 9,720	\$ 4,050
	<hr/>	<hr/>

COMPLIANCE AND INTERNAL CONTROL

Roy K. Derbonne, JR., LLC

Certified Public Accountant
1101-A Bolton Avenue
Alexandria, Louisiana 71301-6878

Tel: 318-445-6778
Fax: 318-445-8967

Member
Society of Louisiana CPA's

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To Board of Commissioners
Sewerage District No. 2 of Rapides Parish, Louisiana
Rapides Parish Police Jury
Alexandria, Louisiana

I have audited the financial statements of Sewerage District No. 2 of Rapides Parish, Louisiana, as of and for the year ended December 31, 2010, and have issued my report thereon dated June 24, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sewerage District No. 2 of Rapides Parish, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Sewerage District No. 2 of Rapides Parish, Louisiana's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sewerage District No. 2 of Rapides Parish, Louisiana's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Sewerage District No. 2 of Rapides Parish, Louisiana's internal control over financial reporting.

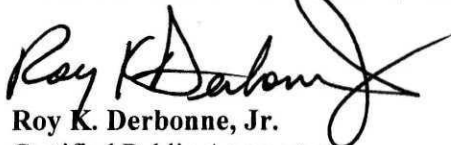
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any

deficiencies in internal control over financial reporting that I considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Sewerage District No. 2 of Rapides Parish, Louisiana's Board of Commissioners, and management, others within the organization and grant awarding agencies and the Legislative Auditor and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited. Also, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


Roy K. Derbonne, Jr.
Certified Public Accountant

Alexandria, Louisiana
June 24, 2011

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

PART I – SUMMARY OF AUDITOR’S RESULTS

An unqualified opinion was issued on the financial statements for the Sewerage District No. 2 of Rapides Parish, Louisiana as of December 31, 2011.

PART II – FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

Internal Control

The report on internal control included no reportable conditions.

The results of the audit disclosed no instances of noncompliance that are considered to be material to the financial statements of the Sewerage District No. 2 of Rapides Parish, Louisiana.

Compliance and Other Matters

The results of the audit disclosed no instance of noncompliance with respect to compliance with laws, regulations, contracts, and grants, which are material to the financial statements.

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH, LOUISIANA
RAPIDES PARISH POLICY JURY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

There were no prior year audit findings.